

Tape 15

Side A

2

25 JUN 1980

MEMORANDUM FOR: Charlie and George

SUBJECT:

We had a speaking invitation from Wako, Texas, I looked at over the weekend.  
You might keep that in mind as a way point towards  tennis ranch  
next January!

STAT

*Xeroxes to CB, GT, GM*

## Soviets Look for Formula to Fuel A Flagging, Vulnerable Economy

First of a series

By Kevin Klose

Washington Post Foreign Service

MOSCOW—Much as its great rival, the United States, the Soviet Union in the 1980s confronts a decade of unprecedented economic strain with no guarantee its leadership has either the will or the competence to master the challenge.

Three complex factors intersect, foreboding trouble in this decade as never before in Soviet history—energy, manpower, and labor productivity.

Moscow faces the unusual prospect of sharp limitations in the expansion of these basic ingredients of economic success. The impact could be significant in the Kremlin's relationship with its restless East European allies, its great power ambitions and its political and trade relations with the capitalist nations.

In addition, there is the distinct likelihood that unless remedies can be found, Soviet living standards, already the lowest among the world's major industrial powers, will fall further behind despite endless leadership promises of a better material life after decades of sacrifice.

These difficulties approach at a time when the ruling Communist Party will be preoccupied with internal political complications connected with eventual transition from the leadership of Leonid Brezhnev to his successor.

They have intensified Western concerns about the global dangers always posed by Soviet economic troubles and debate about possible long-term opportunities for Western leverage to modify Kremlin behavior in return for capitalist technology that could reverse the steady sag of Soviet industrial expansion.

Soviet military intervention in Afghanistan in December sharpened these debates, while dealing a blow to West-

ern moderates who hoped the Kremlin's 1970s detente policy of seeking improved Western trade had implicitly ruled out such threatening foreign adventures.

It is known from Soviet sources as well that inner circles of the party have intensified calculations about whether the U.S. grain and technology embargo has shown the Soviet Union dangerously vulnerable to Western pressures.

At the same time, the pause in Soviet-American arms control negotiations resulting from the Afghan crisis has raised for Moscow the disturbing possibility that it may be forced to devote even more resources from its much smaller national economy into its large defense industries in a new strategic weapons race with the United States.

As usual, the Soviets betrayed none of these worries in the recent Vienna talks between Foreign Minister Andrei Gromyko and Secretary of State Edmund Muskie, or in the meeting in Warsaw between Brezhnev and French President Valery Giscard d'Estaing. Moscow is unyielding in its Afghan intervention despite the threat of long-term harm to its attempts to import from the West the badly needed technology it cannot produce.

The stage for economic troubles in the 1980s was set in the 1970s, when the rate of Soviet economic growth steadily slowed under the burdens of low productivity, squandered industrial capitalization, bureaucratic inflexibility and several harvest disasters.

Yearly economic expansion in the last decade hovered around 3 percent, well short of both official goals and the rates of the 1960s. The powerful state planning committee, Gosplan, and the Communist Party Central Committee are deliberating in secret over new targets to be set in the next five-year plan, covering 1981-85. Few clues are available publicly here over the nature of those debates, but the most intense area of concern, as in the West, is known to be energy.

Soviet petroleum production was the great development feat of the

1970s. By pouring massive resources into vast oil and gas fields centered at Tyumen in western Siberia, about 1,800 miles east of Moscow, the Soviets vaulted to first place among world oil producers, pumping 11.7 million barrels daily last year. Half of its oil and a third of its natural gas come from Siberia, Maxim Gorky's "land of death and chains."

It would be difficult to underestimate the political and economic well-being this energy has brought Moscow. Daily, 3 million barrels of oil are exported to capitalist Europe and the socialist Comecon trading group of the Warsaw Pact. Soviet oil buffers both Cuba and Vietnam from even greater economic woes than they already face.

Three of every four barrels of oil used daily by the Comecon nations are Soviet, a total of 586 million barrels in 1979 at prices generally about 25 percent cheaper than OPEC oil. In return, the Soviets have been able to drive increasingly hard bargains for manufactured goods from the satellites and to demand East bloc participation in development schemes inside the Soviet Union that will chiefly benefit Moscow.

East bloc dependency on Soviet oil and gas strengthened Kremlin influence there precisely when detente might have offered the smaller buffer nations unique possibilities for forging new ties with the West at the expense of Moscow. Significantly, only Romania, with some petroleum reserves and foreign sources of its own, has been able to diverge from Moscow's politics.

While Poland and Hungary privately fretted over the Afghan invasion, and Bulgaria, Czechoslovakia and East Germany obediently applauded, only Romania felt bold enough after long years of testing its independence, to boycott the recent meeting of communist parties called to back the invasion.

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